

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

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FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 0208

INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

UNCLAS HELSINKI 1409

E.O. 11652: N/A

TAGS: ECON, EFIN, FI

SUBJECT: BANK OF FINLAND RECEIVES ADDITIONAL STANDBY CREDIT

1.SUMMARY. BANK OF FINLAND HAS ARRANGED US \$300 MILLION STANDBY CREDIT WITH LEADING AMERICAN AND CANADIAN BANKS. STANDBY CREDIT WILL BE AVAILABLE FOR SEVEN YEARS AND WILL LIKELY BE USED TO SUPPORT FOREIGN EXCHANGE RESERVES OF CENTRAL BANK. ACCORDING TO GOVERNOR OF BANK OF FINLAND, THERE IS NO IMMEDIATE NEED FOR FINLAND TO USE THE ADDITIONAL STANDBY CREDIT. END SUMMARY.

2. ON JULY 1 BANK OF FINLAND CONCLUDED US \$300 MILLION STANDBY CREDIT ARRANGEMENT WITH FOURTEEN LEADING AMERICAN AND CANADIAN BANKS. BANK OF AMERICA NAD MORGAN GUARANTY TRUSY COMPANY ACTED AS ORGANIZERS OF STANDBY CREDIT.

3. STANDBY CREDIT WILL BE AVAILABLE FOR SEVEN YEARS.

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DURING FIRST THREE YEARS BANK OF FINLAND MAY USE FULL

AMOUNT OF CREDIT WHILE DURING LAST FOUR YEARS AVAILABLE CREDIT WILL BE REDUCED TWICE YEARLY IN EIGHT EQUAL AMOUNTS. TO MAINTAIN ACCESS TO STANDBY CREDIT, BANK OF FINLAND WILL PAY BETWEEN ONE-HALF AND FIVE-EIGHTS OF PERCENT DEPENDING ON AMOUNT OF CREDIT ACTUALLY USED. INTEREST RATE FOR MONEY BORROWED WILL DEPEND ON PREVAILING INTEREST RATES AT TIME OF BORROWING.

4. BANK OF FINLAND HAS ESTABLISHED NEW STANDBY CREDIT TO COMPENSATE FOR TERMINATION OF US\$120 MILLION STANDBY CREDIT FROM IMF (NOT DRAWN UPON), TO RENEW US\$100 MILLION OF STANDBY CREDIT FROM US COMMERCIAL BANKS, (WHICH WAS DUE TO EXPIRE), AND TO INCREASE TOTAL AMOUNT OF AVAILABLE STANDBY CREDIT. BASICALLY STANDBY CREDITS ARE TO PROTECT FINLAND'S INTERNATIONAL LIQUIDITY AND CREDIT WORTHINESS IN FACE OF RECORD HIGH TRADE AND CURRENT ACCOUNT DEFICITS. WITH SIGNING OF NEW STANDBY CREDIT AGREEMENT BANK OF FINLAND HAS INCREASED ITS TOTAL STANDBY CREDIT FROM US\$490 TO US\$690 MILLION. THIS SHOULD FACILITATE OTHER BORROWING ABROAD BY GOVERNMENT AUTHORITIES AND FINNISH COMPANIES. FINLAND'S STANDBY CREDITS AS OF JULY 1 WERE NEARLY TWICE AS LARGE AS COUNTRY'S CONVERTIBLE FOREIGN EXCHANGE RESERVES WHICH THEN TOTALED US \$361 MILLION.

5. GOVERNOR OF BANK OF FINLAND MAUNO KOIVISTO TOLD PRESS THAT THERE WILL BE NO NEAR FUTURE NEED TO DRAW ON THIS STANDBY CREDIT. HE ALSO STRESSED THAT STANDBY CREDIT WOULD BE USED ONLY TO SUPPORT FINLAND'S INTERNATIONAL LIQUIDITY AND WOULD NOT BE USED TO LOOSEN FINLAND'S CURRENT VERY TIGHT MONETARY POLICY.

6. COMMENT: AT END OF MAY 1976 FINLAND'S FOREIGN DEBT TOTALED US\$5.7 BILLION AND CURRENT ANNUAL COST OF SERVICING FOREIGN DEBT IS US\$0.7 BILLION. FINLAND'S REPUTATION IN INTERNATIONAL CAPITAL MARKETS APPEARS STILL TO BE GOOD, BUT WITH INCREASING FOREIGN DEBT IT IS PROBABLY BECOMING MORE DIFFICULT FOR FINLAND TO MAINTAIN ITS PRESENT SATISFACTORY CREDIT RATING. THIS NEW AND ENLARGED STANDBY CREDIT ARRANGMENT SHOULD HELP FINLAND TO MANAGE ITS FOREIGN DEBT BURDEN. END COMMENT.

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